

Join the Coalition to Help Fix PAGA

FEBRUARY 2024



BACKGROUND ON PAGA

- **CA's Private Attorneys General Act (PAGA)** was intended to be a more effective way to help workers resolve labor disputes.
- **PAGA's "lawsuit first" approach has failed - harming workers and businesses.**
 - Lawsuits can be filed on behalf of a single employee representing a group of employees without their knowledge or consent.
 - Employee does not need to prove that the error caused any harm whatsoever.
- **\$10 billion in employer payouts since 2013.**

PROBLEM:
PAGA IS UNFAIR
TO SMALL
BUSINESSES,
NON-PROFITS
AND OTHER
EMPLOYERS

- × **PAGA lawsuits impact employers of all sizes and industries, including:**
 - Family-run businesses
 - Non-profits
 - Local governments
 - School districts
 - Labor unions
- × **Lawyers file lawsuits for violations as minor as a typo or incorrect spelling on a pay stub.**
 - Mere threat of a lawsuit is likely to force a settlement to avoid litigation costs
- × **Attorneys repeatedly target businesses.**
 - No limit to the number of PAGA claims that can be filed against an employer.

PROBLEM:
PAGA IS
INEFFECTIVE
AND
INEFFICIENT
FOR WORKERS

- × **Workers get pennies on the dollar, while lawyers make billions.**
 - Employees receive 3x less under PAGA compared to cases decided by the Labor Workforce Development Agency (LWDA).
 - Lawyers siphon off one-third of all settlements, turning PAGA into a very lucrative business for trial attorneys.
- × **Claims take too long to get resolved.**
 - PAGA claims take twice as long (nearly two years) compared to cases decided by the LWDA.

PAGA ABUSE EXAMPLES

In 2017, a PAGA lawsuit was filed against a non-profit serving individuals with disabilities, claiming failure to provide overtime wages. After the non-profit immediately reconciled the wage issue, the plaintiff's attorneys added a claim to the lawsuit because the name of the organization was shortened to "Inc." on paystubs. This additional claim resulted in attorneys receiving approximately **\$200,000** and workers receiving **\$61.18 each**.

3 YRS of litigation | **\$550k** settlement reached | **\$200k** went to attorneys | **\$61.18** Only to each employee

In 2016, a trial lawyer filed a PAGA lawsuit against a home improvement retailer alleging wage-and-hour violations, including not compensating workers for the time spent walking from the store entrance to clock in. Following **7 years of litigation**, the parties reached a **\$72.5 million settlement**. The plaintiff's lawyers pocketed nearly **\$24 million**, while workers only received up to **\$77 each**.

7 YRS of litigation | **\$72.5M** settlement reached | **\$24M** went to attorneys | **\$77** Only to each employee



"I'm a proud wife and mother to three young girls. I opened a franchise location to provide our family with a way to save and prepare for the future. Unfortunately, everything could come to a screeching halt. After being served with a PAGA lawsuit, I feel like I'm being extorted. Our legal fees are piling up and we're already having to explore difficult operational decisions to keep our doors open. Unfortunately, we'll likely never open a business in California again."

LOCAL FRANCHISE OWNER
CENTRAL VALLEY

It is long past time to Fix PAGA
and create a better, fairer system.

SOLUTION: USE LWDA TO RESOLVE DISPUTES

- ✓ Existing LWDA processes are proven to resolve claims faster and provide workers with more restitution.
- ✓ LWDA will have hundreds of millions of dollars available for FY 23/24, which could support additional staffing and administrative needs.
- ✓ LWDA has a dedicated, permanent funding source not reliant on the state's General Fund.

LEGISLATIVE FIXES SHOULD PRIORITIZE:



Faster resolution for workers.

- CA should utilize the existing processes to streamline resolution, minimize the need for lawsuits and help ensure swift and fair recovery for workers.



Penalties for businesses with real violations.

- Fixes should include increased penalties for employers who willfully violate labor laws.
- CA should encourage LWDA and other enforcement agencies to investigate industries and businesses with the most rampant labor law violations.



Eliminating the need for costly, abusive lawsuits.

- CA should provide more information and guidance to small businesses on navigating labor laws while allowing them to correct mistakes and avoid costly legal challenges.

HOW YOU CAN HELP

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- **Join the coalition**
- **Assist with case study identification**
 - Real-world case studies of frivolous PAGA abuses that hurt small businesses and workers
- **Communicate with legislators**
 - Engagement with key Senate and Assembly targets
 - Meetings are being scheduled and can be coordinated with the Fix PAGA coalition team

Stay in Touch!

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@FixPAGA on X (formerly known as Twitter)

FixPAGA

There's a Better, Fairer Way for Workers